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Australian dairy farm

EC Soybean CAP?

World Beef Trade To Dip

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Friesian cows feeding at a modern dairy near Nowra, one of Australia's top milk production districts, on the south coast of New South Wales. See report from Canberra, page 7.

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Vote on Soybean CAP due

Price Incentives for Soybeans Could Boost EC's Production

By GEORGE E. WANAMAKER
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THE EUROPEAN Community (EC)—leading market for U.S. soybeans—is considering a proposal to include soybeans in its common farm support program.

A revised proposal recommending a Common Agricultural Policy (CAP) for soybeans was submitted to the Council of Ministers by the EC Commission on April 18, 1974. The Council may take decisive action on the measure at its next meeting, tentatively set for May 20-21, 1974.

Unlike earlier versions, the revised proposal does not designate a specific target price for soybeans. It is possible, however, that the subsidy will be fixed at a level in line with that for rapeseed and sunflowerseed, in which case the soybean subsidy would be zero at current world market prices. In the event of a fall in world prices, the subsidy could be about 30 to 40 units of account (u.a.) per ton—equivalent to US$36.19 to $48.25.

> *"Under the proposed soybean CAP, EC farmers may find soybeans an attractive rotation crop, provided price incentives are high. . . . the proposed support system could expand EC production to 100,000 tons annually by 1978."*

The proposal specifies that target prices are to be set annually prior to August 1, to become effective for the marketing year, November 1-October 31.

An earlier Commission proposal recommending a soybean CAP was approved "in principle" by the EC Council in early 1974. This proposal included a minimum price support for soybeans of 222 u.a. per metric ton—equivalent to US$7.25 a bushel—as well as deficiency payments to farmers if the market price falls below this level. Neither this nor the current proposal provides for an intervention price, import control measures, or import charges, however.

Since the EC's common farm policies were initiated in 1962, the annual gain in U.S. shipments of soybeans and soybean products has been about 10 percent. These exports advanced to $1.75 billion in 1973. The original Six took $1.57 billion, or nearly 90 percent of the total.

Oilseeds, particularly soybeans and meal, remain one of the most important agricultural commodities not subject to the EC's variable levy. Duty-free bindings on soybeans were negotiated by the United States in 1961, well before the EC oilseed CAP of 1967. The original oilseed CAP was primarily concerned with rapeseed and sunflowerseed—oilseeds on which the United States has not negotiated trade access.

In its memorandum recommending the soybean CAP, the EC Commission indicated that the proposed support system could expand EC production of soybeans to 100,000 tons annually by 1978. Last year, the Community's total soybean output amounted to an insignificant 800 tons from about 9,900 acres, predominently in France, and probably only for seed.

Under the proposed soybean CAP, EC farmers may find soybeans an attractive rotation crop, provided price incentives are at high levels. In the United States, soybeans can be grown almost anywhere corn can be grown.

In 1973, about 7.4 million acres were planted to corn in the EC, of which approximately 95 percent were in France and Italy. An additional 22 million acres planted to forage crops in France and Italy, mostly in crop rotation, may also be suitable for soybean production.

Soybean-growing would become especially interesting to EC farmers at the earlier-proposed support price, which is

two and a half times the newly set single intervention price for corn—89.46 u.a. or US$108.25 per metric ton.

In the United States, the soybean meal-corn price ratio, based on closing cash prices in early 1974, was 1.5 to 1, compared with 3.6 to 1 a year ago. In the United States, a ratio of 2.5 to 1 is considered to slightly favor soybean over corn production.

If EC soybean production reaches the projected 100,000 tons in 1978, the maximum cost of subsidies to the EC may be some $5-6 million. If, as anticipated, world prices of soybeans continue to decline, owing to more plentiful supplies, the earlier-proposed EC support price of US$7.25 a bushel will stand far above world market prices, as has traditionally been the case for other EC oilseed crops such as rapeseed and sunflowerseed, which are subject to a CAP.

In the long run, a high support price could prove enormously costly to the EC, particularly if current estimates of production potential prove low—as is likely. Assuming soybean yields at 25 bushels an acre, every million acres planted in soybeans in the EC would provide 25 million bushels to subsidize.

The stated purpose of including soybeans in a CAP is to decrease the Community's growing dependence on imports, particularly of soybean meal for livestock feeding. The estimated 100,000-ton production level by 1978, however, will amount to only 1 percent of the EC's projected consumption requirements in 1978. To increase self-sufficiency appreciably, production will need to be considerably higher.

Experimental production of soybeans has already been undertaken on 1,000 acres in southwest France. To encourage production of seedstocks, the Government is offering premium payments. To supply seedstocks for 1975, the Government has provided about $581,000 for up to 9,884 acres of soybeans.

Further, a team of French agricultural experts recently toured U.S. soybean-growing areas, where they observed U.S. production practices in order to implement them in French growing districts.

The projected rise in EC soybean acreage would probably occur largely in France, replacing corn area. France is the EC's largest corn producer and the only Community member self-sufficient in corn. In 1973, production totaled 10.7 million tons out of total EC production of 16.3 million. Italy was the only other EC member that harvested appreciable amounts of corn; production totaled 5 million tons in 1973.

France is also projected to have Western Europe's most rapid expansion in corn production, which could rise to 19 million tons by 1980. Rapidly expanding corn output will be used to satisfy rising feedgrain demand, particularly in poultry and hog rations, in both France and other EC nations. By contrast, Italy's corn output is expected to show comparatively little growth by 1980.

At present, two other oilseed crops are important in France, rapeseed and sunflowerseed. Although rapeseed acreage is likely to remain stable, production of sunflowerseed is rising, with 110,000 acres planted in 1973.

Although Japan remained the leading market for U.S. soybeans and meal in 1973, the four next most important markets were West Germany, France, Den-

Continued on next page

U.S. Farm Exports To Reach $21 Billion

Exports of farm products for the fiscal year ending June 30, 1974, are likely to total about $21 billion, $1 billion above the February estimate and nearly $8 billion above a year earlier. Agricultural exports for the first three quarters of the current fiscal year rose 78 percent to $15.8 billion. Somewhat higher prices than anticipated for most commodities and larger volumes for soybeans, cotton, and feedgrains accounted for much of the increase. The agricultural import estimate remains at $9.5 billion, nearly $2.2 billion above last year's.

With exports far exceeding imports, agriculture's contribution to the U.S. trade balance will increase to a record $11.5 billion, more than doubling last year's $5.6 billion. This contribution to the trade balance will help offset the rising cost of U.S. imports of nonfarm products, especially petroleum.

The $1-billion increase in export estimates since February includes increased exports of feedgrains, soybeans, livestock and livestock products, poultry products, and many fruits, vegetables, and nut items. Prices are also somewhat higher than expected for many products. Higher prices will account for nearly 90 percent of the fiscal 1974 increase. Prices of feedgrains, soybeans, cotton, wheat, most horticultural products, and animal products have been substantially above year-earlier levels.

The export volume of major commodities is expected to exceed 100 million metric tons, 8 million tons above that of last year.

Grain and feed exports are now expected to hit $10.9 billion. Demand for U.S. feedgrains has been exceptionally strong during fiscal 1974.

Exports of oilseeds and products are likely to total more than $5 billion . . . tobacco exports are now expected to be $700 million . . . cotton exports could total 5.8 million bales . . . livestock and livestock product exports should reach $1.5 billion . . . and fruits, nuts, and vegetables should top the billion-dollar mark for the first time.

Exports of dairy products are expected to be about $50 million, while poultry exports will be $140 million. Sugar and tropical products exports will be unchanged at $285 million.

Outlook for fiscal 1975. Agricultural exports in fiscal 1975 may total $17-$19 billion, second only to the record being established this year. Some of the developments expected to reduce exports during 1975 include a slowdown in the rate of economic growth in the principal markets, increased world production for many commodities, some price declines, and reduced foreign exchange reserves for some major country markets.

Western Europe, Eastern Europe, and the USSR may reduce their takings the most. Livestock production in Western Europe may decline, compared with the substantial increase during 1973-74.

The estimated export quantities in fiscal 1975 include 1 billion bushels of wheat, 38 million tons of feedgrains, 1.9 million tons of rice, 580 million bushels of soybeans, 5.8 million bales of cotton, and 600 million pounds of tobacco.

The rate of increase for agricultural imports is expected to slow in fiscal 1975 as upward price pressures diminish. Imports may total slightly higher than the current year's estimate of $9.5 billion.

mark, and the United Kingdom—all Community members.

This large U.S. market share is a result of booming demand for livestock products in the EC. Per capita incomes in EC countries have grown rapidly in the past decade, with a corresponding rise in livestock consumption. At the same time, relatively high EC grain prices have encouraged the substitution of nongrain feeds, which require the addition of protein supplements, in animal and poultry rations. During 1973, protein sources other than soybean meal, mainly fishmeal and peanut meal, were in short supply and generally cost more than protein from U.S. soybeans.

In fiscal 1973, the enlarged EC imported $425 million worth of U.S. soybean meal. The use of U.S. soybeans in EC crushing facilities added to EC meal supplies. But demand for protein meal is expected to grow at a faster rate than demand for oil, so the EC is likely to continue large imports of U.S. meal.

Demand for meal is also expected to rise in the new member countries—Denmark, Ireland, and the United Kingdom—as adjustment to the CAP raises feedgrain prices in these nations and makes duty-free U.S. soybean meal relatively inexpensive.

During the latter half of 1973, however, many EC feed compounders turned to high proportions of wheat in their rations, largely because of high soybean meal prices, together with the EC's denaturing premium on feed wheat. Further, the growth of meal consumption in some EC countries will probably slacken as high protein feeding rates attain optimum levels in rations.

U.S. soybean production is projected to dip in 1975, on the basis of January 1974 planting intentions reported by growers. Exports are projected to hold strong, however, at 18.3 million tons—880,000 above this year's forecast. This increase follows the trendline of the past few years and could be achieved with ample domestic supplies and comfortable stock level.

In most years, the United States exports more than half of its total production of soybeans in the form of whole beans, meals, or oil. The value of U.S. soybean exports rose to a record $2.8 billion in 1973, up $1.3 billion from the previous year. In 1973, the combined export value of U.S. soybeans and products was $3.8 billion—an 80 percent gain from 1972.

Rise in World Beef Supplies Seen for 1974, Trade To Dip

By PHILIP L. MACKIE and SUZANNE EARLY
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A SHARP BUILDUP in cattle herds around the world in the past few years is expected to culminate in a dynamic upturn in beef and veal production this year. For 1975, if slaughter rates return to levels of the 1960's and if carcass weights increase on trend, worldwide beef and veal output could swell by an additional 20-25 percent.

This will reverse the very tight red meat supply situation that has prevailed for the past 2 years. Short world beef supplies and high prices witnessed in 1972 and 1973 occurred primarily because producers were holding back breeding stock to increase their herds and were not a result of shortages of cattle.

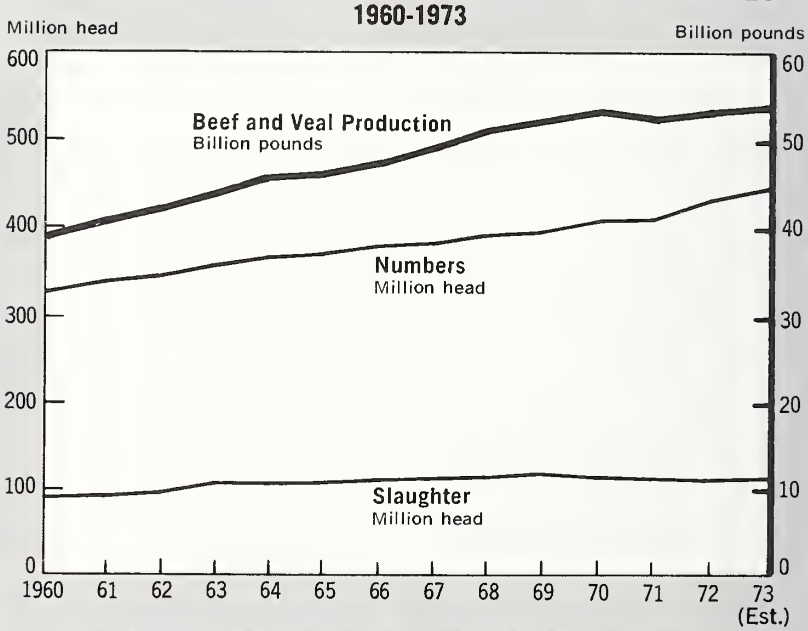
The world's four major meat-importing areas—the United States, Canada, the enlarged European Community (EC), and Japan—are slated to boost red meat production by nearly 4 percent this year, with beef output up nearly 5 percent and pork 2 percent. The 1974 gain is likely to be evenly distributed, so that no importing area will be seriously meat-deficit.

As a result, world beef trade is likely to fall below the high levels of the past 2 years. Exports from most of the major suppliers—New Zealand, Central America, Mexico, Argentina, Brazil, Uruguay, and Yugoslavia—are expected to be down from last year. Australia's beef production and exports, however, are expected to rise.

Argentina's beef production is likely to increase in 1974, but poorer market prospects in Europe and internal demand pressures may reduce exports this year. Consumer pressures are also expected to again limit exports from Central America and Mexico in 1974, and cause Brazil's exports to continue declining.

World demand for beef is likely to slacken somewhat in 1974, compared with the past 2 years. Strong demand in major importing nations in 1972 and

TRENDS IN CATTLE NUMBERS, SLAUGHTER, AND BEEF PRODUCTION IN MAJOR PRODUCING COUNTRIES[1] 1960-1973



[1] U.S., Canada, EC-9, Japan, Australia, New Zealand, Central America, Mexico, Argentina, Uruguay, Brazil, and Yugoslavia.

1973 was fueled by high rates of economic activity. In 1974, real growth rates are expected to ease in each of these areas, as a result of normal cyclical factors, aggravated by the energy situation.

Mutton and lamb exports are also forecast to fall sharply in 1974, largely because of a continuing decline in Australian output, as sheep producers rebuild their flocks. A drop in New Zealand's output is also expected to stem from flock rebuilding, as well as dry weather.

Nevertheless, red meat export availabilities in 1974 will remain very sensitive to weather conditions. Beef industries in the major exporting countries depend extensively on grassland production.

Current very good pasture conditions, especially in the two big producers, Australia and Argentina, are enabling producers to hold cattle. If pasture conditions deteriorate, beef marketings and export availabilities could increase substantially from current expectations.

In the long run, the outlook for red meat production—especially for beef—is exceedingly good. This is largely because cattlemen in the world's major commercial beef-producing countries have accelerated herd buildups. In the process, however, slaughter was cut back sharply, causing beef and veal production to decline during each of the past 3 years, in spite of higher slaughter weights.

In 1974, indications point to a slightly higher slaughter rate—about equal to 1970 levels—and a resulting 5 percent gain in beef and veal output, compared with last year.

This will still allow cattle numbers to increase significantly in 1974, so that the stage is set for further production rises in the next few years, provided that slaughter remains at earlier levels.

Red meat production in the major importing areas fell 2 percent in 1972 and 4 percent in 1973, after growing at an average annual rate of 3.5 percent for the previous 11 years.

The downturn in red meat production first began in the EC beef and veal sector. As early as March 1972, cattle and calf slaughter in the EC's two major beef producers, France and West Germany, began to fall, as higher guaranteed prices for milk and beef encouraged the withholding of female breeding stock from the market.

Red meat production started trending downward in the United States in 1972, but not as severely as in Europe. U.S. pork production fell 8 percent as farmers reacted to the record slaughterings and low market prices of the previous year. Higher beef production, however, helped offset the decline in pork, so that total red meat production was down only 2 percent from 1971 levels, compared with a 4-percent reduction in the EC.

A further 4-percent downturn in world red meat production occurred in 1973. This time the drop was most severe in the United States, where beef production dropped 6 percent and pork 5 percent. A slight recovery occurred in the EC-9, but beef production fell nearly 25 percent in Japan because of higher breeding stock retentions.

The relative changes in production among these four major markets, particularly the United States and the EC, is important in explaining what happened to world demand and prices for meat in 1972 and 1973.

The decline in EC beef production in 1972 triggered a strong demand for beef imports. EC market prices for cattle increased sharply in the first half of the year, causing beef import controls to be relaxed for the first time ever, beginning in June. Freer access to this attractive market encouraged imports, and by the end of the year beef entries from third countries into the EC had increased 63 percent—by 650 million pounds, carcass weight equivalent (CWE).

Strong world import demand for beef in 1972 was met largely through an increase in export availabilities in the major beef-exporting countries. Beef exports soared by 26 percent in 1972—by 1.3 billion pounds. This was due

Canadian crossbred cattle range near Calgary, top. Workers bone carcasses, left, at the Katherine abattoirs in Australia's Northern Territory. Above, checker examines grading marks in an Argentine meat-processing plant.

primarily to increased production in Australia, based on a rapid buildup in cattle numbers in the late 1960's, and an upturn in the Argentine production cycle. Rising world prices and easing of import controls in major markets also induced suppliers to export as much as possible.

Last year, in contrast to 1972, there was no sharp increase in exports despite sharply higher dollar price levels. Preliminary estimates from the major beef-exporting countries indicate that exports rose only about 1 percent last year, or by 67 million pounds.

Australia's and New Zealand's exports again jumped sharply, but these were nearly offset by declines in exports from Argentina, Mexico, and Brazil. Bad weather and the imposition of price controls in Argentina turned expected advances in production and exports in 1973 into a decline. Export controls, imposed to increase domestic availabilities, limited Central American exports to about 1972 levels, and reduced exports from Mexico and Brazil.

Exports of mutton and lamb, which compete strongly with beef in some markets, fell by nearly 225 million pounds CWE in 1973 from the major suppliers of Australia, New Zealand, and Argentina, after gaining by about 110 million pounds in 1972. This decline further aggrevated the world meat shortage in 1973.

BEEF AND VEAL PRODUCTION AND NET IMPORTS IN MAJOR IMPORTING AREAS
[In million pounds, carcass weight equivalent]

Country	Average 1966-70	1971	1972	Estimate 1973	Forecast 1974
Production:					
United States	21,743	22,448	22,871	21,578	22,440
Canada	1,918	1,929	1,979	1,959	1,960
EC-9	11,902	12,732	11,500	11,550	12,400
Japan	414	606	650	498	615
Total	35,977	37,715	37,000	35,585	37,415
Imports:					
United States	1,408	1,635	1,872	1,903	2,250
Canada	48	60	123	113	120
EC-9	1,208	681	1,486	1,685	1,015
Japan	56	138	193	428	400
Total	2,720	2,514	3,674	4,124	3,785

PRODUCTION AND EXPORTS OF BEEF BY EXPORTING COUNTRIES
[In million pounds, carcass weight equivalent]

Country	Average 1966-70	1971	1972	Estimate 1973	Forecast 1974
Production:					
Australia[1]	2,083	2,374	2,812	3,298	3,540
New Zealand[2]	764	865	903	926	895
Central America	540	670	720	738	775
Mexico	1,132	1,281	1,305	1,418	1,485
Argentina	5,693	4,411	4,846	4,744	5,200
Brazil	3,670	4,023	4,453	5,401	4,730
Uruguay	592	595	640	557	460
Yugoslavia	628	656	573	598	630
Total	15,102	14,875	16,252	17,680	17,715
Exports:					
Australia[1]	965	1,180	1,640	2,070	2,275
New Zealand[1]	471	585	615	675	600
Central America	167	243	298	311	315
Mexico	95	107	130	80	70
Argentina	1,487	1,006	1,527	1,226	1,100
Brazil	162	347	502	425	175
Uruguay	224	191	321	352	200
Yugoslavia	178	122	124	149	125
Total	3,749	3,781	5,157	5,288	4,860

[1] Year ending October. [2] Year ending September.

The drop was due primarily to a sharp fall in Australian production as producers began to rebuild flocks in response to sharply higher wool prices. Consumer subsidies on lamb and mutton consumption in New Zealand, combined with drought-reduced slaughter weights, also contributed to the export decline.

Japan emerged as the strongest contender for red meat imports in 1973. Rising consumer demand for beef, favorable exchange rates, and reduced domestic beef production prompted beef imports to more than double. Pork imports were also up substantially, owing to shortages of other meats normally used in Japanese sausage manufacture.

The EC was able to increase beef imports by about 5 percent or 100 million pounds in 1973 without boosting domestic cattle prices above January 1973 levels. Higher domestic price levels than in the United States, relaxed import controls until the fall, and currency realinements accounted for the EC's competitiveness. EC cattle prices held steady during the first half of 1973, but by the end of the year had declined more than 10 percent as marketings increased. Consequently, duties and levies were reinstated.

Compared with Japan and the EC, the U.S. competitive position for meat imports in 1973 declined, despite the relatively sharp fall in U.S. production and high internal prices. As a result, total U.S. beef and veal imports in 1973 gained only about 10 million pounds over the 1972 level.

As in 1973, the United States is expected to remain a residual market for beef and veal exports this year. In contrast to last year, when higher EC and Japanese prices bid beef exports away from the U.S. market, policies to restrict beef imports in these same countries this year are expected to leave the United States as the principal alternative market.

U.S. meat imports subject to the Meat Import Law—of which beef and veal account for about 93 percent—are expected to total 1,575 million pounds in 1974, in the absence of quota restraints. Imports of canned, prepared, and preserved beef, primarily from South America, which are not subject to the Law, are also expected to be larger, as EC duties and levies make processing beef for the U.S. market a more attractive alternative.

Australia's Cheese and Skim Milk Powder To Set New Export Records

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RISING WORLD DEMAND for cheese and skim milk powder is pulling yields as well as exports of these Australian dairy products to probable new records in calendar 1974.

Australian production of whole milk is expected to rise by about 5 percent in 1974. And higher yields per cow are anticipated, although cow numbers are declining. With the exception of casein production, output of all major Australian dairy products is likely to be greater this year than in 1973.

Exports of butter are expected to approach the large volume of 76,000 long tons shipped in fiscal 1972-73, and stocks, which were heavily depleted in 1972 by sales to the United Kingdom, probably will be rebuilt this year to normal levels.

Casein exports are expected to be above the very low quantities exported in 1973. However, short supplies and higher prices of nonfat dry milk will limit the amount of casein available for export. Casein currently is selling at about A$1,200 per metric ton (A$1= US$1.49).

Prices currently prevailing for Australian dairy products on world markets are at or near the high levels of early 1972, except for butter. However, butter prices have stabilized in recent months, and although significantly lower now than 2 years ago, are well above those of the late 1960's.

Demand for cheese on international markets is likely to be sustained during 1974, with increased imports likely by Japan and by the United States.

There appears to be little likelihood of any significant easing in the tight world supply situation for skim milk powder in the short term. A dramatic turnaround has taken place in the U.S. position in this commodity. The United States, once a large net exporter of skim milk powder, has become a significant importer. Also, the developing countries of Asia as well as Japan have become important consumers.

Casein prices have tightened recently, with the diversion of skim milk into powder production, and prices have moved upward strongly.

Thus the current relatively favorable export situation for the Australian dairy industry is expected to continue in the short term, and should cushion the effects of the reduction in direct Government financial assistance stemming from the phasing out of the bounty programs for butter and cheese. Nevertheless, returns to producers in 1974 seem likely to be lower than in the previous 2 years.

In the longer term, the course of the industry will be very much influenced by developments in domestic demand, in domestic structural and institutional factors, and by the opportunities prevailing for sales on the international market.

Past growth in total domestic consumption of milk and dairy products has been due entirely to population increase. Consumption of fluid milk and cream, which has accounted for almost 25 percent of total whole milk output, should continue to rise, although perhaps at a slightly lower rate than the growth in population, if recent taste preferences persist. There also is scope for further expansion in sales of minor product lines, such as yoghurts and frozen milk products.

Cheese should continue to be the major growth product on the domestic market, since it is favored by rising incomes and changing taste preferences. Consumption in Australia is still relatively low compared with that in many other developed countries, and it should continue to expand at a rate appreciably higher than population growth.

There appears to be little prospect of any reversal in the long-term downward trend in per capita butter consumption in Australia. Factors which will influence future per capita consumption levels include the extent of any relaxation in table margarine quotas, the effects of the possible introduction of a butterfat-vegetable oil blend, and any changes in the price of butter and its substitutes. However, the shift in consumer preferences away from yellow fats generally seems likely to continue, implying a consequent continuation of the decline in butter consumption.

SINCE GROWTH in the domestic market for dairy products is expected in the forseeable future only to keep pace with the population increase, the export market, which in recent years has absorbed between one-quarter and one-third of Australian milk production, will continue to be an important factor influencing returns to producers—unless there is a substantial reduction in dairy output.

Future market prospect for exports of dairy products will be as much influenced by developments in Australia's two major export competitors, the European Community and New Zealand, as by demand factors in the somewhat restricted international market which now exists following the entry of the United Kingdom into the Community.

New South Wales cheesemakers slice cheddar with wire cutters.

Fifteen-year project

Soviets Plan Large-Scale Farm Development in European USSR

By ANGEL O. BYRNE
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THE SOVIETS have released more details about their long-range plans for further development of agriculture in the non-Black Soil Zone in the north-central part of European USSR. The new agricultural project, recently outlined in a published Government/Party decree, is to be initiated sometime in 1975 and to be completed by 1990.

In general, the emphasis in upgrading agriculture in the non-Black Soil Zone will be placed on: Increasing grain yields and expanding the grain area; developing potato and vegetable production, especially in the environs of large cities and industrial centers; increasing production and quality of flax fiber; increasing the output of sugarbeets for factory use, specifically in farms situated near sugar processing plants; and expanding the area for pulses and perennial grasses and improving their utilization, and also procurement and storage facilities. The plan also calls for developing dairy and meat livestock raising as the main branch of agriculture in the Zone, and on a more industrialized basis; developing swine and poultry raising with emphasis on establishing large industrialized output enterprises and interfarm associations; and developing sheep raising with emphasis on increasing significantly the numbers of Romanov breeds.

The non-Black Soil Zone, which presently encompasses 29 oblasts and other administrative subdivisions in the northern part of European USSR, excluding the Baltics, is comprised of 58 million inhabitants or 44 percent of total population in the Russian Federation (RSFSR). The Zone contains 9,600 State and collective farms covering a total of 128 million acres of agricultural land—close to 9 percent of the total agricultural land in the country—and includes 79 million acres of arable land. The area sown to crops—mainly grain, forage crops, potatoes, fiber flax, vegetables, and sugarbeets—is about 13 percent of the total seeded in the country.

The Zone occupies about 11 percent of the total Soviet grain area and grain production there is about 10 percent of the country's total output. Rye and oats are of high importance in the Zone, production of which is about 33 and 28 percent, respectively, of total Soviet output of these grains. Wheat production, on the other hand, is only 5 percent of the country's total wheat output. Barley production, the main feedgrain in the Zone, is slightly over 10 percent of total Soviet output.

DURING the next several years of developing grain output in the Zone, special focus will be placed on expanding rye as a major grain crop. The potential growth of total grain production for the non-Black Soil Zone is envisaged by Soviet officials to reach 30 million tons in 1980 and 43 million tons in 1990—compared with a total output of 13.5 million tons in 1970 and 18.6 million in 1971 (most recent data available).

Fiber flax, potatoes, and vegetables are the more important nongrain crops in the Zone, which produces 40 percent of total fiber flax output in the country, over 28 percent of all potatoes, and close to 20 percent of total vegetables. Of these crops, potatoes, considered "the second grain crop" of the non-Black Soil Zone, are to receive most of the attention during the coming years.

In the livestock sector, the Zone produces about 15 percent of total Soviet meat output, about 21 percent of all milk, and over 20 percent of total Soviet egg output. As part of the program for developing dairy and meat production as the most important sector of agriculture in the Zone, emphasis will be placed on increasing the area and production of clover as a major source of protein for livestock. Crop production geared to livestock production will be compulsory for every farm in the Zone. Furthermore, a large number of livestock complexes will be constructed for the production of milk, beef, pork, lamb, eggs, and broilers.

To effectively carry out the massive new agricultural project in the non-Black Soil Zone, the Soviets plan to make large investments in the region in the next 15 years. During 1976-80 alone, 35 billion rubles (1 Ruble = US$1.30) will be allocated for capital investment—1.8 times the amount spent in 1971-75. Inputs to be delivered to the Zone will include 120 million tons of mineral fertilizers, 380,000 tractors, 94,000 grain combines, and 230,000 trucks.

The primary aspect of the new non-Black Soil Zone project, however, will entail large-scale land improvement work, mostly drainage and liming. During 1975-90 it is planned to drain 22-24 million acres of land (including 17-20 million acres using drainage tile), to irrigate about 5-6 million acres for pastureland and for developing vegetable growing near cities and industrial centers, and to carry out other unspecified amelioration work on 20-24 million acres of land which do not require draining. An important part of the project will be devoted to liming of acid soils on an area of 57 million acres. To emphasize the importance of this new land improvement project, the Soviets recently organized a new Main Administration for Land Improvement in the non-Black Soil Zone of the RSFSR, directly subordinate to the Council of Ministers, RSFSR, which will direct all administrative and operational aspects of the project.

DEVELOPMENT of the Zone will also involve the construction of more than 15,500 miles of hard-surface highways and roads, new and more modern telephone and electric power facilities, new homes, schools, hospitals, and cultural centers. Grants, which have been established for citizens who will be moved from small villages into State and collective farm settlements, will entail 15-year loans of up to 3,500 rubles for building homes—35 percent of this loan is to be provided by the Government. Furthermore, large student construction detachments will be sent to the Zone to help carry out the massive work ahead.

Philippine-U.S. Pact To Expire, Trading Patterns Seen Altered

By DAVID B. DLOUHY
Trade Negotiations Division
Foreign Agricultural Service

THE PHILIPPINES, leading supplier of sugar and coconut oil to the United States, is rapidly diversifying both import suppliers and export markets for agricultural products. As a result, the United States is losing its predominant market share, and Japan last year emerged as the country's No. 1 trading partner.

Underlying the trade shift is a preference for regional trade, that is, with other countries in the Pacific area. Also significant, however, has been the gradual phasing out of reciprocal trade preferences with the United States, initiated under the Trade Agreement of 1946 and continued through the Trade Revision Agreement of 1955—widely known as the Laurel-Langley Agreement—which is due to expire on July 3, 1974.

The United States has maintained a special relationship with the Philippines since the islands were granted independence on July 4, 1946. At that time, certain economic incentives were thought to be necessary to aid the growth and transition of the Philippine economy from its colonial status to a new position as a developing independent economy. Although expiration of the Laurel-Langley Agreement will not erase that special relationship, it will signal a new phase in U.S.-Philippine relations.

Negotiations on a proposed successor Treaty of Amity and Economic Relations are scheduled to begin in early June. These negotiations will afford both countries an opportunity to review developments, particularly regarding the status of land owned by American citizens that was acquired during Laurel-Langley and preceding agreements and the future shape of U.S.-Philippine trade.

During the 20 years that the Laurel-Langley Agreement has been in effect, agricultural trade between the United States and the Philippines has become increasingly imbalanced. In 1973, two-way trade left the United States with a deficit of $249 million. That year, U.S. exports amounted to $418 million, of which $117 was in agricultural products, according to U.S. trade statistics. This imbalance resulted in part from import restrictions imposed by the Philippines, which have affected exports of certain important U.S. agricultural commodities.

The U.S. share of Philippine farm imports was 53 percent in 1973, compared with 45 percent in 1972, and 54 percent in 1970.

In 1973, total Philippine farm imports expanded in value by 21 percent over 1973 levels. The U.S. share rose, largely because of higher costs for grain imports. But agricultural imports comprise only about 15 percent of all Philippine imports and are less than a third of the value of the country's agricultural exports. In the future, the source and volume of all Philippine imports are likely to depend on the availability of bilateral credit and long-term repayment facilities.

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Total U.S. imports from the Philippines amounted to $666 million in 1973 with farm products accounting for 69 percent or $465 million, an increase of 37 percent over the 1972 total of $339 million. Thus, the Philippines remained the leading non-Western Hemisphere supplier of agricultural commodities to the United States, with the majority of trade consisting of sugar, coconut oil, copra, dessicated coconut, canned pineapple, tobacco, and abaca.

Of the five major commodities imported by the United States, only sugar and coconut oil showed an increase in volume, despite the large value increase in trade. Sugar imports climbed from 1.18 million tons in 1972 to 1.43 million in 1973. The value of U.S. sugar imports from the Philippines rose from $204.8 million in 1972 to $274.5 million in 1973.

Higher prices for dessicated coconut, coconut oil, copra, and pineapple—most important next to sugar—boosted the value of imports, but only coconut oil was imported in larger quantities. U.S. imports of abaca were slightly higher in 1973, while tobacco imports declined somewhat.

One important feature of the expiring Laurel-Langley Agreement is a system of bilateral tariff preferences. These have been adjusted upward periodically to reach the level of each country's most-favored-nation (MFN) rates. In 1973, the preferential tariffs, as well as quotas, on U.S. imports of Philippine sugar, tobacco, cigars, abaca, and coconut oil resulted in a savings of $9.3 million, the difference between the preferential and MFN rates. On January 1, 1974, however, these tariff preferences reached 100 percent of respective MFN rates for most products traded between the two nations.

Transitional duties will remain in effect between January 1 and July 3, 1974, for U.S. imports of Philippine sugar, tobacco, and coconut oil. At present, the duty on sugar, cigars, pineapples, and tobacco is 100 percent of the Cuban preferential rate. But on July 4, 1974, all Philippine imports will be subject to 100 percent of the U.S. MFN rate.

The Laurel-Langley Agreement sets U.S. import quotas for Philippine sugar, abaca cordage, coconut oil, tobacco and cigars. The forthcoming expiration of the Agreement has given rise to a number of important questions concerning these commodities.

Sugar. Virtually all sugar exported by the Philippines is imported by the United States. Over the period 1968-73, annual receipts from exported sugar have averaged about $200 million, or some 20 percent of the value of total Philippine exports.

In 1955, under the Laurel-Langley Agreement, the United States granted

the Philippines a base sugar quota of 980,000 short tons anually, raw value basis. The quota has subsequently been revised upward and currently is about 1.6 million short tons. This includes an adjusted base quota of 1.1 million short tons, plus a 30 percent share of the deficit in domestic and foreign production.

Probably one of the most important effects of the Agreement's termination will be removal of the Philippines' minimum guaranteed sugar quota. After July 1, the absolute quota could be reduced below the base 980,000 short tons, if the U.S. Congress so desires.

The Agreement's expiration is one of several factors that could affect the future of Philippine sugar trade. In 1974, the U.S. Sugar Act, the International Sugar Agreement, and the Commonwealth Sugar Agreement are all slated for renewal.

Abaca. Over 82 percent of all raw abaca, a hard vegetable fiber, is cultivated in the Philippines; none is grown in the United States. Raw abaca is used in the manufacture of cordage products and specialty papers such as coffee fibers, tea bags, vacuum cleaner bags, and packaging products.

The Philippines is attempting to discourage exports of raw abaca for manufacture of cordage. Exports of raw abaca are subject to a 4-percent export tax and a differential duty over exports of manufactured cordage.

As part of a proposed new trading arrangement, the Philippine Government has expressed support for quota-free—but not necessarily duty-free—cordage exports to the United States. Currently, this change is scheduled to be implemented automatically when the Agreement expires.

But the Philippines may be unable, at least in the short run, to increase exports of raw or finished abaca. Fuel shortages, which have hampered harvesting, and the rising emphasis on cultivating bananas instead of abaca have decreased the availability of raw abaca.

In addition, competition from synthetic cordage for the rope market and from producers for raw abaca have pushed up costs and cut supplies. U.S. domestic sales of abaca cordage have declined over the past 5 years, owing to a falloff in domestic consumption.

Nevertheless, exports to the United

States from the Philippines have remained remarkably stable in the last 5 years. The United States has imported about 19,000 long tons of Philippine raw abaca in each of the last 5 years, except for 1971, when hurricane damage reduced the import volume to 16,000 long tons.

Under the annual 6-million-pound quota, U.S. imports of abaca cordage were 6 million in 1973. All items imported under the quota are finished cordage products, except for yarn, which is a semimanufacture used to process finished cordage. Yarn represents only a minor portion of total imports subject to the quota.

U.S. production of abaca rope—over 3/16-inch diameter—declined from 41.5 million pounds in 1968 to 24 million pounds in 1973. During the same period, domestic consumption of all hard fiber rope—including abaca, sisal, and henequen—fell from 65 million pounds to 52.2 million pounds. Imports of cordage from all sources now account for about 93 percent of the U.S. cordage market, as opposed to

Cigars are hand-rolled in Philippine factory, left. Intercropping of sugarcane with peanuts and sweetpotatoes, above, has proven profitable at the Victorias Milling Company in Bacolod. Top, coconut trees ready for harvest.

15 percent in 1950.

Coconut oil. The United States is the world's largest importer of coconut oil. The Philippines is the largest producer and supplier, with about 75 percent of Philippine coconut oil exports going to the United States. Traditionally, the Philippines is virtually the sole U.S. supplier of coconut oil.

Under the provisions of the Laurel-Langley Agreement, the Philippines was granted a declining, annual tariff-free quota and a preferential duty. From January 1 to July 3, 1974, all Philippine oil will enter the United States at the preferential rate of 1 cent per pound, while oil from all other sources enters at 3 cents per pound.

When the Agreement expires, oil from all sources, including the Philippines, will enter at the 1-cent-per-pound rate of duty.

The Philippines has indicated a renewed interest in abolition of the U.S. duty on coconut oil. The European Community (EC) recently acceded to Philippine requests for reduction of the 5-percent EC duty on inedible coconut oil. The resulting 50 percent decrease is, however, only a movement toward near-equivalency with the United States.

Expiration of the Agreement will likely have little effect on U.S. imports of Philippine coconut oil, but U.S. copra crushers and agricultural groups have favored retaining the duty. This is partly an effort to obtain equal treatment for U.S. agricultural exports and related interests in the Philippines.

Historically, the domestic crushing capacity of the Philippines has been below the level of copra production, necessitating exports. With expansion of copra crushing capacity, a further decline in exports is anticipated. Coconut oil exports, however, are expected to increase, as is pressure for further duty reductions in major markets.

The Philippines shipped 620 million pounds of oil in 1973 in excess of their tariff-free quota of 89 million pounds. U.S. imports of Philippine coconut oil, both within and over the quota, amounted to $93.8 million in 1973, out of total coconut oil imports of $94 million.

While 86 percent of coconut oil imports were subject to the U.S. duty in 1973, compared with 47 percent in 1966, imports in 1973 increased by 6 percent. Nonetheless, reduction or removal of the 1-cent-per-pound U.S. duty would improve the long-term competitive position of coconut oil.

In an effort to restrict raw exports, consolidate crushing activities, and increase tariff revenue, the Philippine Government has attempted to restrict copra exports through taxes or export bans.

As a result of this and other economic considerations, the last remaining U.S. copra crusher terminated operations as of April 30, 1974.

Tobacco. Expiration of duty-free quotas and preferential tariffs will likely have little effect on U.S. imports of Philippine tobacco and cigars, since these items are competitively priced in relation to other supply sources.

Since the Agreement was initiated, U.S. imports of Philippines scrap have increased substantially. In 1973, 1.3 million pounds of scrap entered at the preferential rate of 12.6 cents per pound. Little of the Philippines duty-free quota has been utilized by filler in unstemmed form.

After July 1, 1974, application of the MFN duty—which will rise from 3.5 cents a pound to 16.1 cents—will increase the cost of Philippine tobacco in scrap form by 22 percent. However, this is not expected to restrict U.S. imports of scrap.

U.S. imports of Philippine cigars have steadily declined since the implementation of the Agreement. In 1973, imports were only 26 percent of the allowable quota. Loss of tariff preferences may hasten the downward trend in cigar imports—particularly of those costing 15 cents or less, which constitute the bulk of Philippine exports. Rising U.S. imports of Philippine scrap cigar filler have been reflected by a decline in U.S. production of cigar filler tobaccos.

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U.S. tobacco exports to the Philippines have been substantially affected by Philippine import restrictions. For each pound of leaf imported by Philippine manufacturers, 4 pounds of domestic leaf must be purchased from the stocks of the Philippine Virginia Tobacco Administration. This requirement, plus high import duties and other import restrictions, has hampered U.S. exports of tobacco to the Philippines.

CROPS AND MARKETS

GRAINS, FEEDS, PULSES, AND SEEDS

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	May 14	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-13.5	4.69	−97	3.36
USSR SKS-14	(1)	(1)	(1)
Australian FAQ[2]	(1)	(1)	(1)
U.S. No. 2 Dark Northern Spring:			
14 percent	4.49	−8	3.07
15 percent	4.86	+24	3.14
U.S. No. 2 Hard Winter:			
12 percent	4.50	−1	3.03
No. 3 Hard Amber Durum	6.23	−27	3.31
Argentine	(1)	(1)	(1)
U.S. No. 2 Soft Red Winter	(1)	(1)	(1)
Feedgrains:			
U.S. No. 3 Yellow corn	3.17	−12	2.33
Argentine Plate corn	3.59	−11	2.54
U.S. No. 2 sorghum	3.00	−17	2.28
Argentine-Granifero sorghum	2.96	−18	2.27
U.S. No. 3 Feed barley	2.77	+9	1.82
Soybeans:			
U.S. No. 2 Yellow	6.34	+24	9.12
EC import levies:			
Wheat[3]	[4] .34	+10	1.46
Corn[5]	[4] .22	−1	.88
Sorghum[5]	[4] .48	+10	.91

[1] Not quoted. [2] Basis c.i.f. Tilbury, England. [3] Durum has a separate levy. [4] Levies applying in original six EC member countries. Levies in U.K., Denmark, and Ireland are adjusted according to transitional arrangements. [5] Italian levies are 19 cents a bu. lower than those of other EC countries.
NOTE: Price basis 30- to 60-day delivery.

Spring Seeding Progress in the USSR

A total of 156.4 million acres of spring crops had been sown in the USSR as of May 6, 1974. Small grains accounted for 60 percent of this total, or 93.4 million acres. Data in the tabulation below show seeding progress as of May 6, 1974, compared with the same date during the years 1970-73.[1]

Spring seeding as of May 6, 1974, in the USSR, was running about a week behind the excellent progress achieved last year, and about 3-4 days behind the progress realized in 1972, but was some 4-5 days ahead of the progress made in 1970 and 1971. These comparisons suggest that 1974 seeding progress thus far may be near normal. That is, progress in 1972 and 1973, but particularly in 1973, was unusually rapid because of favorable weather, and the larger than normal amount of seeding to be done was due to reduced winter grain areas. On the other hand, weather apparently was not too favorable for early seeding in 1970 and 1971.

The rate of seeding during the first week of May in 1974 was significantly higher than during the corresponding week in the years between 1970 and 1973. The 1974 seeding rate for the first week of May was about equal to that achieved during the fourth week of April 1973, for small grains as well as for all spring crops. Cold, rainy weather, with a little snow in some areas, interfered with seeding during the second half of April 1974. Temperatures averaged some 5-10° F below normal between April 20-30 in the southern part of European USSR. This unfavorable weather apparently has not continued into May.

Planting of technical crops generally is progressing satisfactorily. As of May 6, 1974, cotton had been planted on 6.7 million acres, about 95 percent of the planned area, sugarbeets on 7.9 million acres, 90 percent of plan, and sunflowers on 7.7 million acres, roughly two-thirds of the likely target. Cotton and sugarbeet plantings are progressing about the same as in 1972 and 1973, but planting of sunflowers is lagging. About 85-90 percent of the sunflowers had been planted by early May in 1972 and 1973. This year, about 2.5 million acres were planted between April 29 and May 6. At that rate, planting would be completed by about mid-May.

COMPARISON OF 1974 SEEDING WITH PREVIOUS YEARS AS OF MAY 6[1]
[In millions of acres]

	All spring crops		Small grains	
Year	Total seeded	Seeded in prior week	Total seeded	Seeded in prior week
1970	129.5	42.7	(2)	(2)
1971	128.5	39.5	(2)	(2)
1972	177.4	42.0	101.1	25.2
1973	199.6	45.2	118.8	26.9
1974	156.4	51.6	93.4	32.9

[1] Data for the years prior to 1974 were adjusted as necessary to provide a basis for comparison. [2] Not available.

[1] Data for the years prior to 1974 were adjusted as necessary to provide a basis for comparison.

LIVESTOCK AND MEAT PRODUCTS

Ireland's Beef, Pork Exports Bring Higher Returns in 1973

Irish exporters earned more money from their beef and pork shipments in 1973 than in the previous year. Beef and cattle exports were up 9 percent in value; pork exports went up 2 percent.

Ireland's total beef and cattle exports for 1973 (including offal and canned products) are currently valued at US$405 million, $35 million above those of 1972, according to Irish Livestock and Meat Board estimates. However, the volume of beef exports—fresh, chilled, or frozen—was about 130,000 metric tons, only slightly above the previous year's level, their value—at $191.2 million—was 25 percent higher than that of 1972.

Volume of beef exports to the six original European Community countries increased 59 percent in 1973, compared

with a year earlier, while exports to the United Kingdom fell by 40.5 precent. Beef exports to the United States were an estimated 81 percent higher than 1972's shipments, while sales to the U.S. military forces were up 15 percent. Total exports to the United States were about 13,000 metric tons in 1973.

Irish exports of live cattle were down 29 percent in 1973—the lowest in 25 years—compared with the 1972 level of about 424,000 head.

Pork exports by Ireland fell from 58,000 metric tons in 1972 to an estimated 35,000 tons in 1973, according to estimates recently released by the Pigs and Bacon Commission. Value, however, rose from US$51 million to $52.5 million.

Hog slaughterings at packing plants fell from 2.26 million in 1972 to 1.99 million in 1973. The Irish Livestock and Meat Board estimated total cattle slaughterings at licensed export plants at about 860,000 head in 1973.

U.S. Red Meat Imports Up

U.S. imports of red meat for the first 3 months of calendar 1974 totaled 470 million pounds—up 7 percent from those of a year earlier. This total includes meat imported subject to the Meat Import Law, canned and preserved meats, and other red meats.

Imports of meat subject to the Meat Import Law (fresh, chilled, and frozen beef, veal, mutton, and goat) totaled 105 million pounds for March 1974—19 percent above the March 1973 total. Total imports of meat subject to the Law for the first 3 months of calendar 1974 were 305 million pounds, up 4 percent from the same 1973 period. Principal suppliers continue to be Australia, with 148 million pounds, and New Zealand, with 46 million pounds.

U.S. imports of canned and processed beef and veal during the first 3 months of calendar 1974 amounted to 44 million pounds—up 23 percent from the same 1973 period. Bigger imports of canned and processed beef and veal from Argentina accounted for much of the increase.

Imports of other red meats also increased during January-March 1974. Red meat imports, mostly pork, not previously accounted for, amounted to 121 million pounds—up 8 percent over the first 3 months of 1973. Greater imports of fresh, frozen, and chilled pork from Canada, together with rising imports of boned and cooked pork products from Poland, Denmark, and Yugoslavia, accounted for the increase.

SUGAR AND TROPICAL PRODUCTS

Martinique Sugar Production Continues Downtrend

Martinique's sugar-making potential continues to drop, as small farmers, and to a lesser extent, larger farmers, substitute more profitable banana cultivation for sugarcane. Although Martinique and French Governments support farm prices for sugar, farmers contend that high wages, low sugar content of cane, and the high cost of transporting cane to the factory have squeezed all profitability from sugarcane production. Effective acreage for the 1973-74 year fell to 12,441 acres.

Inefficiencies exist in both production and processing of cane. Farmers grow mostly old, low-yielding varieties. Few farmers have followed recommended rates of fertilizer and herbicide application. Labor is expensive and most farms are undermechanized. Most of the factory equipment is so old that replacements must be custommade, which adds to cost and installation time.

Of the three remaining sugar factories in Martinique, one did not resume production at the start of the sugar season this year. The shutdown of these three mills and construction of one new factory in the north of the island and another in the south are being considered. Extensive improvement in sugarcane farming practices has been proposed, in the hopes that sugar production can be raised above the current 23,000-metric-ton production level.

Green Coffee Prices Stable Due to High Stock Levels

Prices for green coffee changed little from the beginning of March until mid-May. One reason for this is that stocks in the United States, as well as in other major importing countries, were at good working levels. U.S. imports for the first 4 months of 1974 have been considerably above those of a year earlier. While world trade of coffee for the 1973-74 year may be several million bags below the high level of 1972-73, importing countries are expected to maintain high stock levels.

Retail coffee prices are generally several months behind wholesale green prices. Increases in retail prices of 6 cents a pound for regular coffee and about 1 cent per ounce for soluble coffee in mid-April by major U.S. coffee roasters reflect green coffee price rises prior to March.

Burma's Sugar Production Down

Burma's production of centrifugal sugar (raw value) is expected to total only 100,000 metric tons in 1973-74 (November-June). During the previous 3 years, output averaged about 116,000 tons. According to reports, the decrease is due mainly to the unsatisfactory price offered by the Goverment and stem rot disease losses. Production at the Zeyawaddy (northern Burma) mill, for example, is estimated at only 6,100 tons, while the target level was 19,000 tons. During the past several years, Burma has imported only minor amounts of refined sugar, all from the United Kingdom.

DAIRY AND POULTRY

Mideast Countries Buy Spanish Eggs

Strong demand for foodstuffs in various Mideast countries has resulted in the delivery of 17,000 cases of eggs from Spain to that area in January-March 1974, and the expected further contracting of 600,000 cases to Iraq. While prices have not been reported, they can to some extent be gaged by the recent level of egg prices in Spain, which was 48 cents per dozen at retail.

GENERAL

Volga-Ural Canal Project To Benefit Soviet Agriculture

The Soviet Union is making detailed plans for construction of a large canal which will connect the Volga and Ural Rivers. Said to be the largest irrigation system in being or planned in

Europe, work on the Volga-Ural Canal is expected to start in the near future in Jamyshin near the city of Volgograd. The canal is planned to traverse the northern rayons of Volgograd Oblast, the southeastern rayons of Saratov Oblast, and end in West Kazakhstan near the city of Ural'sk.

The Volga-Ural Canal, which is planned to be completed in 1985, is expected to irrigate 6.1 million acres of plowland and supply water to about 21 million acres of combination pastureland. It will be used for grain and vegetables, and also for perennial grasses for livestock pasturing. With further development of the livestock fodder base, the Soviets hope to increase cattle herds in the Volgograd, Saratov, Ural'sk, and Gur'ev Oblasts by 1.5 million head and sheep by an additional 10 million head.

TOBACCO

Ontario Tobacco Board Sets 1974 Price, Acreage

The Ontario Flue-Cured Tobacco Growers' Marketing Board set the 1974 flue-cured tobacco acreage at 112,053 acres, up 6,000 acres from 1973's.

Production this year is forecast at 250 million pounds. This would mean a 2-year production of 483 million pounds for 1973 and 1974, 17 million pounds short of the Board's goal of 500 million pounds.

A guaranteed minimum price of about 86 U.S. cents per pound was accepted by the Canadian Tobacco Manufacturers Council after the Board announced there would be a large acreage cut if agreement on the price could not be reached. Minimum price is 14.5 percent above the 1973 minimum, but only 4 percent above the average price of the 1973 crop.

Malawi Flue-Cured Prices Up

Record high prices were reached during the first week of flue-cured tobacco sales in Limbe, Malawi. Over 1.3 million pounds of flue-cured leaf sold for an average of 92 U.S. cents per pound. The total flue-cured crop sold in 1973 totaled 22 million pounds, and averaged 73 U.S. cents. The flue-cured crop now being sold is estimated at 25 million pounds. Most of the flue-cured tobacco is exported to the United Kingdom.

Indian Tobacco Exports Declined in 1973

India's unmanufactured tobacco exports for calendar 1973 are estimated at 159 million pounds, down 10 percent from record 1972 exports of 176 million pounds. The decline in exports was due mainly to reduced purchases by the USSR and East European countries. Most of the decrease occurred in flue-cured Virginia types, which fell from 157 million pounds to an estimated 141 million pounds.

Per unit value of leaf tobacco exports was up 18 percent, resulting in a $5 million increase in total value of shipments. Average export value increased from 43 U.S. cents per pound in 1972 to 51 cents in 1973.

The 1974 outlook for leaf tobacco exports appears less favorable than that for the previous 2 years, due to an increase in the minimum export prices. Importing countries are reportedly resisting purchase of the Indian leaf at present higher prices. For example, the minimum export price of hop grade, redried, flue-cured strips was increased from 91 U.S. cents per pound to US$1.14.

Under the European Community's (EC) new Generalized System of Preference tariff quotas, as much as 49 million pounds of India's flue-cured exports to the EC in 1974 could receive a 50 percent tariff reduction. The United Kingdom is expected to fill most of its 38.8-million-pound share of the quota with Indian leaf.

Ontario Flue-Cured Price Averages 82 Cents

Ontario flue-cured tobacco auctions recently closed for the 1973 crop with an average 82 U.S. cents per pound. This figure is 4 cents over the 1972 crop average and 7 cents per pound over the minimum price agreed on by the Canadian Tobacco Manufacturers Council (CTMC) in early 1973.

Quantity sold was 233 million pounds, up 40 percent from 167 million pounds for last season, but still 17 million pounds short of the 250-million-pound goal set by the Ontario Flue-Cured Tobacco Growers Marketing Board (OFCTGMB). Announcement of 1974 acreage and production goals has been delayed, due to difficulty in reaching an agreement on a guaranteed price.

The CTMC told the Tobacco Growers Marketing Board that it expects the 1974 crop to average about 86 U.S. cents per pound, but will not guarantee this price, as it did for the 1972 and 1973 crops. The 1973 agreement called for a combined 1973 and 1974 crops production of 500 million pounds. Whether the OFCTGMB will set the production goal to reach the 2-year total of 500 million pounds without an agreed minimum price for the crop has not yet been determined.

FATS, OILS, AND OILSEEDS

Philippine Exports of Copra, Coconut Oil Drop

During the October 1973-March 1974 period Philippine exports of copra and coconut oil totaled 386,400 metric tons (oil basis), 28 percent below the 539,600 tons exported in the same 6 months of 1972-73. The export decline reflected a drop in rainfall in 1973 and was equal to the oil fraction of 32 million bushels of soybeans.

World Peanut Output Up Due to Bigger Crop in India

World peanut production in 1973 is estimated at 17.5 million metric tons (unshelled basis) representing an increase of 11 percent or 1.7 million tons over the drought-reduced 1972 total. All of the gain in 1973 world output is accounted for by the 2.1 million tons, or 53 percent recovery, of peanut production in India. The resulting increase in India's 1973-74 peanut oil production will be consumed domestically, but India's peanut meal exports may rise by only 200,000 tons.

The 1973 decline in foreign peanut production, excluding India, is about 450,000 tons, following a 300,000 ton drop in 1972. This decrease reflects a further drop in output caused by drought, among major West African producer-exporters.

Combined total peanut production in 1973 in Gambia, Niger, Nigeria, Senegal, and Mali is estimated at 1.7 million tons—down 500,000 tons from the 1972 volume, and 1.6

million tons below the record 1965 volume. Combined 1973 commercial peanut production in West Africa, which directly affects world export availabilities, is down about 850,000 tons from the 1.7-million-ton volume in 1972. In 1965, West Africa's commercial peanut production totaled 2.9 million tons. In the United States, peanut production reached 1.56 million tons—79,000 tons above that of 1972, reflecting greater yields. Complete data will appear in the May 31 issue of *World Agricultural Production and Trade.*

COTTON

Low Uzbek Water Levels May Hamper Cotton Production

Conditions in the Uzbek Republic will be unfavorable for irrigated crops in 1974 if expected lower water supplies are not augmented, according to officials of the Central Asian Hydrometeorological Services. As a result, the Republic's cotton crop may suffer.

The water levels of most of the rivers in the Republic are expected to be lower than normal, especially in the Amu-Darya, Naryn, Syr-Darya, and Kara-Darya Rivers. In order to guarantee sufficient water supplies for this year's cotton crop, the Republic is already planning to build new canals, to construct new irrigation and pumping stations, to rebuild old pumping stations, and to drill new artesian wells.

A similar shortage of regular irrigation water occurred in Uzbekistan in 1970. However, emergency construction of temporary canals and drilling of hundreds of wells alleviated the problem and a bumper cotton crop was harvested that year.

Uzbekistan's goal this year is to produce a record 5 million metric tons of seed cotton. The actions taken in 1970 suggest that the Uzbeks will make strenuous efforts to provide the supplementary water needed this year to maintain their upward trend in cotton production.

FRUIT, NUTS, AND VEGETABLES

Canadian Grant to Finance Produce Storage Facilities

For the first time, the Canadian Government will provide financial aid to a British Columbia producer group, as part of the Canadian Fruit and Vegetable Storage Construction Assistance Program. Announced last year, the grant will be used to expand the controlled-atmosphere storage capacity for apples in the Okanagan area by about 55 percent. This expansion will improve handling procedures and ensure high quality produce for Canadian consumers.

West German Hop Harvest Revised Upward

The 1973 West German hop harvest has been revised upward, to 83.8 million pounds, a 14 percent increase over the October 1973 estimate of a record 73.7 million pounds. The new estimate also represents a 26 percent increase over the record 1972 crop of 66.9 million pounds. Much of the increase was attributed to good weather, which resulted in a 14 percent increase in yields.

German hop exports for 1973-74 are now forecast at 50.7 million pounds (whole hop basis), compared with 42.2 million pounds in 1972-73. Conversely, German hop imports for this marketing season are expected to reach 9.5 million pounds (whole hop equivalent) down 23 percent from the 1972-73 total of 12.3 million pounds.

As a result of the record crop in 1973, spot prices on the German domestic market have fallen drastically. Consequently, hop growers are reluctant to enter into contracts, mainly because of rising costs and unfortunate experiences with contracts in previous years. As a result, conrtact prices have increased somewhat in recent weeks.

In an effort to combat falling domestic prices, officers of the Hop Growers Association have strongly urged members not to expand production further. However, they have no authority to restrict expansion in any area.

Canada Approves Fruit Compensation

The Government of Canada has approved the U.S. request for compensatory tariff reductions on pitted prunes and fresh and frozen cranberries. The Canadian tariff of 10 percent on pitted prunes will be reduced to free from April 1 through June 30, 1974; and the 5-percent tariff on cranberries will be suspended from November 1 through December 31, 1974.

These temporary reductions are in compensation for Canada levying an import surtax on imports of fresh sweet cherries from June 30-August 3, 1973, in violation of its General Agreement on Tariffs and Trade (GATT) commitments.

South African Hops Harvest Looks Bleak

The 1974 South African hops harvest, reduced by drought, is now forecast at 40 metric tons (44 short tons), reflecting a decrease of 50 percent from the short 1973 crop of 60 metric tons (66 short tons). This compares to 84 metric tons produced in 1972.

Imports of hops and hops extracts (hop equivalent) in 1974 are forecast at 753,975 pounds, the same as the estimated level in 1973 and 12 percent above the 1972 level. Exports for 1974 are forecast at 8,818 pounds, and have held at that level since 1972.

Currently, domestic production provides less than 10 percent of South Africa's needs. The South African hops industry is presently expanding production, in the hope that by 1975, domestically produced hops will satisfy more than 75 percent of domestic demand.

U.S. DEPARTMENT OF AGRICULTURE
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WORLD TRADE WEEK—MAY 19-24

On the occasion of World Trade Week 1974, Earl L. Butz, U.S. Secretary of Agriculture, cites the outstanding export performance of U.S. agriculture and the need for liberal world trade.

An expanding trade is essential to world peace and economic stability. This has never been more evident than it is in 1974—following 2 years of dislocation and confusion in world markets for energy and food.

Our country's ability to produce food provides an extraordinary opportunity to further world peace. Food is a language that leaps oceans and crosses borders, piercing bamboo and iron curtains. It is the product that enables America to speak more forcefully, more powerfully, and more compassionately than any other nation in the world.

Nations depend on each other. This principle cannot be ignored in a world that is increasingly tied together by modern transportation, by space age communication, and a common desire for better living. Rising consumer incomes are pushing living standards to the point where no one nation can be self-sufficient in national resources, industry, or agriculture. We must trade with each other.

American agriculture has to trade in order to live. Record net farm incomes of nearly $20 billion in 1972 and more than $25 billion in 1973 have been brought about in large measure by the rise in U.S. agricultural exports.

In 1973, an estimated one-fifth of net farm income came from agricultural exports. But about one-half of the 1973 increase in net farm income over 1972 resulted from farm exports.

Farm exports are also contributing broadly to the national economy in the form of nonfarm employment, reduced Federal Treasury payments for domestic farm programs, and vastly increased contributions to our international trade account.

Farm programs, including payments for acreage set-aside, cost the U.S. Treasury $4 billion in 1972. As farmland returned to production, that figure dropped to $2.6 billion in 1973. This cost will be cut to about $500 million this year, because of the total release of acreage from Federal diversion programs.

Farm exports will top agricultural imports by more than $10 billion this fiscal year, making an essential contribution to our balance of trade. A trade surplus in agriculture is necessary to balance off a deficit in nonfarm trade, providing the foreign exchange to pay for petroleum and other essential imports.

World Trade Week 1974 is a time of recognition for the export performance of American agriculture—and to reaffirm our support for a world of liberal and expanding trade.

PRC To Exhibit Farm Goods In Wellington in Fall

The China Council for the Promotion of International Trade will hold a trade exhibition in Wellington, New Zealand, according to the press in Wellington. Tentatively scheduled for the latter half of September 1974, this will be the first such exhibition to be staged by the People's Republic of China (PRC) in Australia or New Zealand.

To be open free to the public, the exhibition will be held at the Wellington Show Building (site of AM-TECH '73), which has about 40,000 square feet of space. Exhibits will include items of heavy industry, light industry, agricultural products, art, and handicrafts. Current plans are for a team of Chinese workers to organize setting up the exhibition.

While official statistics are not yet available, it is reported that in calendar 1973, PRC exports to New Zealand were worth US$11.34 million, a 90 percent increase over those of 1972, of which perhaps 50 percent were cotton textiles. Other export items included musical instruments, hog bristles, hand tools, and enamelware.

According to Chinese sources, imports from New Zealand in calendar 1973 were valued at US$7.37 million, a 97-percent increase over 1972's, and included wool, tallow, hides, and skins.

New Zealand hopes to add woodpulp, liner board, livestock, leather, and seeds to the list of items it will export to the PRC in the future.

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